

Program A: Property Taxation Regulatory/Oversight

Program Authorization: La. Constitution, Article VII, Section 18; R.S. 47:1831-1837.

PROGRAM DESCRIPTION

The Property Taxation Regulatory/Oversight Program in the Louisiana Tax Commission is composed of the following activities: Administrative, Appraisal, Public Service and Audit. The mission and goals for the Property Taxation Regulatory/Oversight Program are broken down by activity.

The mission of the Administrative activity is to manage fiscal and business affairs of the Louisiana Tax Commission and to offer leadership and guidance to other activities. This activity is also charged with hearing and deciding appeals of property valuations and clarifications. The goals of the Administrative program are to ensure compliance with all statutes relative to the duties and responsibilities of LTC; improve the image of the LTC; and to promote the highest degree of voluntary compliance.

The mission of the Appraisal activity is to oversee the uniformity and accuracy of assessed values of parish assessing offices and provide local assessor assistance when requested. The goal of the Appraisal activity is to improve the quality of ratio studies and other appraisals performed as well as reduce the percentage of time currently allocated for these studies in order to ensure assessment uniformity and accuracy.

The mission of the Public Service and Audit activity is twofold: (1) to fairly and uniformly appraise and certify assessments of all public utility property in the State of Louisiana and to ensure compliance with Louisiana tax laws and policy with a comprehensive audit program; and (2) to ensure that personal property and inventory reported to each assessor district is correct, uniform and consistent with Tax Commission rules and regulations. The goals of the Appraisal activity are; (1) to certify all public utility property annually and render these assessments to each parish by September 1; and (2) to ensure Tax Commission rules and regulations are correctly applied in the determination of fair market value of public service property by administering an ongoing audit program of all personal and public service property.

OBJECTIVES AND PERFORMANCE INDICATORS

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2000-2001. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

The objectives and performance indicators that appear below are associated with program funding in the Base Executive Budget for FY 2000-01. Specific information on program funding is presented in the financial sections that follow performance tables.

1. (KEY) To hear 100% of all protest hearings within the tax year in which the protest was filed.

Strategic Link: This operational objective is related to the agency's Strategic Objective I.1.

Explanatory Note: The Louisiana Tax Commission holds hearings for a variety of purposes. As the regulatory/oversight agency for ad valorem taxation, the Louisiana Tax Commission (LTC) is required to hold protest hearings when there is a tax dispute. In accordance with R. S. 49:951 et seq., the LTC must promulgate and adopt rules and regulations pertaining to property taxation. Hearings are a part of that rule-making process. The LTC completes 70 ratio studies each year. The commission is required to announce the ratio study results at a public hearing each year for each individual assessor. Protest hearings make up the majority of hearings. For example, in FY 1997-98, the LTC held 260 protest hearings, 4 rules and regulations hearings, and 1 ratio hearing; in FY 1998-99, 95 protest hearings, 4 rules and regulations hearings, and 1 ratio hearing.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of protest hearing completed within the ¹ tax year in which the protest was filed	100%	100%	100%	100%	100%	100%

¹ It is difficult to predict accurately the number of hearings that will be heard each year. In addition, some protests are settled without a hearing. However, regardless of the number of protest hearings that come before the commission, the commission is committed to hearing all protests within the tax year in which the protests were filed. For the actual number of protest hearings that were completed from FY 1994-95 through FY 1998-99, see the General Performance Table following Objective 2.

2. (KEY) To conduct all bank and insurance company assessments, public utility company appraisals and assessments, and tax roll certification activities necessary to support local tax collection.

Strategic Link: This operational objective is related to the following components of the program's strategic plan: Goal I, Objective I.1, and Strategy I.1.3.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of banks and insurance companies assessed ¹	100%	100%	100%	100%	100%	100%
K	Percentage of tax rolls certified before November 15th each year ²	100%	100%	100%	100%	100%	100%
K	Percentage of public utility companies appraised and assessed ³	100%	100%	100%	100%	100%	100%

¹ The Louisiana Tax Commission (LTC) makes the assessment of banks and insurance companies annually for distribution to local assessors. With consolidations, mergers, and acquisitions, the number of banks and insurance companies fluctuates from year to year. This fluctuation makes it difficult to predict accurately the number of banks and insurance companies to be assessed each year. However, the LTC assesses all banks and insurance companies annually, regardless of the number of such companies. For historical information on the number of banks and insurance companies assessed as well as the assessed value of those banks and insurance companies, see the General Performance Information table that follows this objective.

² There are 70 local tax assessors in Louisiana. Prior to November 15th of each year, local tax assessors are required to submit their tax rolls to the Louisiana Tax Commission (LTC) for certification. Certification must occur before tax collectors can begin to collect taxes. Should it be necessary to correct or change an assessment after the rolls have been certified by the LTC, the assessor must submit a change order to the commission for approval. For historical information on the number of tax rolls certified and the number of change orders processed, see the General Performance Information table that follows this objective.

³ The Louisiana Tax Commission is charged with appraising and auditing all public service properties throughout the state. These properties are assessed by the LTC at the rate of 10% of fair market value of land, 25% of fair market value for all other property owned by public service companies, with the exception of airlines, railroads, private car companies, and electric cooperatives, which are assessed at the rate of 15% of fair market value. Each company's assessed valuation is distributed to the various local taxing jurisdictions. The tax dollars produced from assessments of public service properties remain in local parish coffers. Any major changes in reporting by a particular industry may trigger an audit of that industry. Audits are performed to assure compliance as well as to verify financial information. The number of public service audits that will produce revenue has decreased since all major industries have been audited and are now reporting correctly. For historical information on the number of public service appraisals and audits conducted, see the General Performance Information table that follows.

GENERAL PERFORMANCE INFORMATION: LOUISIANA TAX COMMISSION

PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1994-95	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99
Protest hearings:					
Number of protest hearings completed	401	250	175	260	95
Assessment of banks and insurance companies:					
Number of banks assessed	230	200	187	187	168
Assessed value of banks (in \$ millions)	\$328.1	\$338.0	\$492.2	\$558.0	\$593.2
Number of insurance companies assessed	710	718	794	725	730
Assessed value of insurance companies (in \$ millions)	\$41.7	\$41.6	\$50.4	\$50.4	\$56.3
Appraisal and assessment of public utility companies:					
Number of public service appraisals conducted	526	573	589	630	617
Number of public service audits conducted	180	50	14	2	5
Assessed value of public service properties (in \$ billions)	\$2.452	\$2.492	\$2.732	\$3.180	\$3.125
Ad valorem taxes produced by public service properties (in \$ millions)	\$269.8	\$249	\$273	\$318	\$313
Assessed value added to parish tax rolls (in \$ millions)	\$22.5	\$21.1	\$3.3	\$6.5	\$7.4
Additional taxes realized by local governments as a result of public service audits	\$212,500	\$1,674,091	\$1,294,000	\$697,164	\$601,370
Certification of tax rolls:					
Number of tax rolls certified	70	70	70	70	70
Number of change orders processed	22,000	29,000	36,365	34,845	36,026

3. (KEY) To conduct appraisals throughout the state to assist local assessors.

Strategic Link: This operational objective is related to the program's Strategic Goal I.

Explanatory Note: All ratio studies contain property appraisals. In addition, the Louisiana Tax Commission conducts appraisals at the request of local assessors or taxing bodies. Louisiana Tax Commission (LTC) staff assists local governments in the appraisal of major income-producing property, using the income approach to value. LTC staff continue to expand the appraisal program by including industrial property such as paper mills, grain elevators, and petro-chemical plants. Commission staff conduct complex appraisals of large statewide industrial facilities that are being added to the parish roll books upon completion of their ten-year industrial tax exemptions and provide data to parish assessor.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Total number of property appraisals conducted ¹	4,100	3,221	6,000 ²	6,000 ²	6,000	6,000
S	Number of ratio studies conducted ²	70	70	70	70	70	70

¹ The number of property appraisals varies from year to year due to the type of ratio study conducted (all ratio studies contain property appraisals) and the number of requests from local assessors or taxing bodies.

² Although the FY 1999-00 performance standard for this indicator is 6,000, the Louisiana Tax Commission indicated in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates the yearend figure to be 8,250.

³ Ratio studies are used by the Louisiana Tax Commission (LTC) to establish whether assessment values of real property are proper and uniform. Ratio studies are conducted in each parish annually; since there are 70 local tax assessors in Louisiana, this number remains constant at 70. However, because of new technological upgrades, the quality of such studies can and will be improved. All ratio studies contain property appraisals; the property appraisals associated with ratio studies are included in the total number of property appraisals conducted. Real estate appraisals used in the ratio study are representative of all different types of property found in the parishes. The estimates of values are determined and compared to the assessments. The assessed values should be within 10% of that indicated by the appraisals.

4. (SUPPORTING) To audit personal property requests made by assessors throughout the state and conduct any related industry audits.

Strategic Link: This operational objective is related to the program's Strategic Objective II.1.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
S	Number of personal property audits conducted ¹	350	385 ²	350 ³	350 ³	30	30
S	Additional tax added due to personal property audits	\$1,500,000	\$1,512,310	\$2,000,000 ⁴	\$2,000,000 ⁴	\$750,000 ⁴	\$750,000

¹ For FY 2000-01, the method of calculation for this indicator has been changed to reflect the number of taxpayers audited, regardless of the number of locations (or sites) that any audited taxpayer may have. Performance indicator values for FY 1998-99 and FY 1999-00 were calculated on the basis of number of taxpayer locations audited. The method of calculating this indicator was changed in order to be consistent with the way in which the Department of Revenue counts audits. Under the revised calculation methodology, personal property audits should maintain a level of 30 or so per year. The audits result from requests by assessors as well as LTC staff investigations conducted with the Department of Revenue.

² When the new method of calculation is applied to this performance indicator, the prior year actual is 20.

³ When the new method of calculation is applied to this performance indicator, the FY 1999-00 value would be 30. However, in its FY 1999-00 First and Second Quarter Performance Progress Reports, the Louisiana Tax Commission indicates that it currently anticipates the yearend total, under the new calculation methodology, to be 28.

⁴ Although the FY 1999-00 performance standard for this indicator is \$2,000,000, the Louisiana Tax Commission indicated in its FY 1999-00 First and Second Quarter Performance Progress Reports that it currently anticipates the yearend figure to be \$750,000. The continuation value for this indicator is based on this lowered expectation.

RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1998-1999	ACT 10 1999- 2000	EXISTING 1999- 2000	CONTINUATION 2000 - 2001	RECOMMENDED 2000 - 2001	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$1,714,011	\$1,880,020	\$1,880,020	\$2,001,883	\$1,781,393	(\$98,627)
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	0	0	0	0	0	0
Statutory Dedications	512,115	475,000	475,000	609,627	610,913	135,913
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
TOTAL MEANS OF FINANCING	<u><u>\$2,226,126</u></u>	<u><u>\$2,355,020</u></u>	<u><u>\$2,355,020</u></u>	<u><u>\$2,611,510</u></u>	<u><u>\$2,392,306</u></u>	<u><u>\$37,286</u></u>
EXPENDITURES & REQUEST:						
Salaries	\$1,420,545	\$1,482,741	\$1,482,741	\$1,585,009	\$1,466,309	(\$16,432)
Other Compensation	2,288	0	0	0	0	0
Related Benefits	251,323	277,502	277,502	279,454	264,486	(13,016)
Total Operating Expenses	313,006	374,432	374,432	384,129	297,307	(77,125)
Professional Services	128,566	192,873	192,873	327,500	327,500	134,627
Total Other Charges	4,611	4,792	4,792	4,792	6,078	1,286
Total Acq. & Major Repairs	105,787	22,680	22,680	30,626	30,626	7,946
TOTAL EXPENDITURES AND REQUEST	<u><u>\$2,226,126</u></u>	<u><u>\$2,355,020</u></u>	<u><u>\$2,355,020</u></u>	<u><u>\$2,611,510</u></u>	<u><u>\$2,392,306</u></u>	<u><u>\$37,286</u></u>
AUTHORIZED FULL-TIME						
EQUIVALENTS: Classified	32	32	32	32	27	(5)
Unclassified	4	4	4	4	4	0
TOTAL	<u><u>36</u></u>	<u><u>36</u></u>	<u><u>36</u></u>	<u><u>36</u></u>	<u><u>31</u></u>	<u><u>(5)</u></u>

SOURCE OF FUNDING

This program is funded from State General Fund Direct and Statutory Dedications. The Statutory Dedications are derived from the Louisiana Tax Commission Expense Fund for fees assessed for audits and appraisals of public service properties, banking institutions, and insurance companies. (Per R.S.39:32B.(8), see table below for a listing of expenditures out of each Statutory Dedicated fund.)

	ACTUAL 1998-1999	ACT 10 1999- 2000	EXISTING 1999- 2000	CONTINUATION 2000 - 2001	RECOMMENDED 2000 - 2001	RECOMMENDED OVER/(UNDER) EXISTING
La. Tax Commission Expense Fund	\$512,115	\$475,000	\$475,000	\$609,627	\$610,913	\$135,913

ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$1,880,020	\$2,355,020	36	ACT 10 FISCAL YEAR 1999-2000
			BA-7 TRANSACTIONS:
\$0	\$0	0	None
\$1,880,020	\$2,355,020	36	EXISTING OPERATING BUDGET – December 3, 1999
\$52,110	\$52,110	0	Annualization of FY 1999-2000 Classified State Employees Merit Increase
\$52,110	\$52,110	0	Classified State Employees Merit Increases for FY 2000-2001
\$874	\$874	0	Risk Management Adjustment
\$30,626	\$30,626	0	Acquisitions & Major Repairs
(\$22,680)	(\$22,680)	0	Non-Recurring Acquisitions & Major Repairs
(\$35,599)	(\$35,599)	0	Attrition Adjustment
(\$100,000)	(\$100,000)	(5)	Personnel Reductions
(\$70,568)	(\$70,568)	0	Salary Funding from Other Line Items
\$0	\$1,286	0	Civil Service Fees
(\$5,500)	(\$5,500)	0	Other Non-Recurring Adjustments - Completion of the Biennial Report
\$0	\$134,627	0	Other Adjustments - Legal fees for tax appeal hearings
\$1,781,393	\$2,392,306	31	TOTAL RECOMMENDED
\$0	\$0	0	LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS
\$1,781,393	\$2,392,306	31	BASE EXECUTIVE BUDGET FISCAL YEAR 2000-2001
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL

SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:

\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE
\$1,781,393	\$2,392,306	31	GRAND TOTAL RECOMMENDED

The total means of financing for this program is recommended at 101.6% of the existing operating budget. It represents 83.0% of the total request (\$3,009,944) for this program. The 1.6% increase to the existing operating budget is due to funding of an increase in legal service fees on tax issues. This program does not have any positions that have been vacant for (1) one year or more.

PROFESSIONAL SERVICES

\$327,500	Legal and technical appraisal services including rendering opinions, drafting legislation, establishing and advising the Tax Commission with respect to the procedure and conducting of public hearings and tax appeal hearings, representing the commission in court in instances where the Attorney General is unable to do so and for assistance in litigation.
\$327,500	TOTAL PROFESSIONAL SERVICES

OTHER CHARGES

	Interagency Transfers:
\$5,665	Civil Services Fees
\$413	Comprehensive Public Training Program Expenses
\$6,078	SUB-TOTAL INTERAGENCY TRANSFERS
\$6,078	TOTAL OTHER CHARGES

ACQUISITIONS AND MAJOR REPAIR

\$30,626	Replacement Equipment: Two (2) typewriters, Nine (9) computers, Five (5) printers, mailing machine, and an electronic weighing postage scale
\$30,626	TOTAL ACQUISITIONS AND MAJOR REPAIRS